Law360

2019 PRACTICE GROUP OF THE YEAR

Project Finance

Kirkland & Ellis LLP helped lenders facilitate more than $1 billion in financing for a major natural gas-fueled power project in Ohio and assisted Blackstone Group's effort to gain an equity interest in a roughly $2 billion pipeline project, earning it a place among *Law360*'s 2019 Project Finance Groups of the Year.

Rohit Chaudhry, a partner at the firm, said Kirkland has seen tremendous growth in its practice since its launch as a small Houston-based team in 2014. Now there are roughly 250 attorneys at the firm doing energy work. Chaudhry joined in February 2018 and was one of its first project finance attorneys — now there are about 50 that handle project finance deals that include specialists on regulatory, environmental and other matters.

"Kirkland is now a market-leading firm on M&A transactions in the projects and energy sector. It has a market-leading financing practice. And within the financing practice it is versatile enough to advise on project finance deals, leveraged finance deals within the energy infrastructure space, capital market solutions that are needed as well as restructuring," he said. "It is a broad offering."

That breadth of expertise makes Kirkland unique, Chaudhry added.

"There are very few firms in the market that offer all of these pieces that surround the project's practice and that's what we do," Chaudhry said.

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The firm helped senior lenders secure nearly $1.08 billion for a 1,875-megawatt facility in Guernsey County, Ohio, the largest independent greenfield power project in the PJM Interconnection LLC market, which oversees the grid in 13 Mid-Atlantic and Midwest states and Washington, D.C., according to the firm.

The August deal was especially complicated because it involved two types of commodity hedging, Chaudhry said.

"There was a large amount of capital being raised in a challenging PJM market where it was increasingly difficult to get commodity hedgings put in place, which are the bedrock of these financings," he said. "It was challenging to get all those pieces done to close the deal on time."

He said the firm deployed a large team that wrote up the financing documentation, did the analysis of the commodity hedges, addressed questions about regulatory uncertainty in the PJM market and structured the financing, in addition to other issues.

Kirkland also helped Blackstone Group with a $545 million financing of an equity interest in the Permian Highway Pipeline that was done in partnership with Kinder Morgan Texas Pipeline LLC, according to the firm. The roughly $2 billion project will transport gas from the Lone Star State to the Gulf Coast. Kirkland started helping Blackstone on the deal in February.

Kirkland helped Blackstone structure the back leverage financing for the deal, which was designed with Blackstone's future options in mind.

"We built in sufficient flexibility in the financing documents to allow Blackstone not only to use its investment in this vehicle for financing this pipeline, but also to do future expansions going forward," Chaudhry said.

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The firm has consistently taken a role on major energy projects that require high-dollar financing. It assisted a syndicate of more than a dozen lenders with the roughly $1.27 billion in refinancing of Train 2 debt of the Freeport LNG facility in Texas, which provided better terms.

Freeport had previously placed a large chunk of the Train 2 debt in the bond market, which was getting saturated, according to Chaudhry. Instead of going back to the bond market, Freeport went to the bank market but was able to receive similar terms to what the bond market usually offers.

"I think it is one of the first times that something like that has been done," Chaudhry said, adding that historically the bank market offers tighter terms than the more flexible bond market. "In this case, because a vast majority of the debt had already been financed in the bond market, it was important for Freeport not to lose the flexibility that it had in its bond financings by doing this refinancing in the bank market."

It also helped Brookfield Super-Core Infrastructure Partners, which is managed by Brookfield Asset Management, expend roughly $2 billion to acquire a 25% noncontrolling interest in Dominion Energy Inc.'s Cove Point gas liquefaction facility in Maryland that also includes a 136-mile pipeline.

The firm has handled renewable projects, too. It represented KKR & Co. Inc. in its $900 million investment with NextEra Energy Partners LP that formed a partnership that gave KKR an equity interest in a portfolio of wind and solar projects. KKR's investment consists of an equity interest in a newly formed structured partnership in which NEP has options to acquire KKR's interest over time

In the event that the call options are not exercised within certain milestones, KKR's share of cash flows from the partnership increases to 99%. The deal allows NEP to buy out KKR during an initial period with cash and nonvoting stock in NEP at the market price at the time up to a certain limit, said partner Roald Nashi.

"It is a low-risk deal for the investor in a way because most of the projects that are in this portfolio are plants that have long-term contracts with investment-grade customers," he said. "It provides a very unique form of financing for [NEP] that is not otherwise available in capital markets."

Nashi said the firm's deals often require expertise from people who work at various groups at the firm, which is structured to ensure that communication between groups occurs easily.

"It is uniquely helpful for our clients," Nashi said. "There is a lot of information exchange with the clients as well."